Economic Review NT Regions

February, 2008

Investment & Economic Analysis

Northwest Territories Industry, Tourism and Investment

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***** All data used in this publication was obtained from the 2006 Socio-Economic Scan, NWT Bureau of Statistics (http://www.stats.gov.nt.ca)**

1 Regional Economic Profiles 2006

Table one summarizes current economic conditions within each of the NWT's six regions. Because of its economic size, Yellowknife is listed as a separate "headquarters" region. For example, the city accounts for 56% of all income earned in the NWT.

The impact of employment opportunities is clearly evident in the numbers. The two regions most benefiting from diamond mine employment, the North Slave (including Yellowknife) and South Slave Regions, account for 77% of all income earned in the NWT.

The table can also be used to compare regions to NWT and national averages. For example, per capita incomes in the NWT are higher than the national average, but of the regions, only Yellowknife and the South Slave exceed the national average.

Aside from economic data, the summary table has data on demographics and social indicators. For example, the region with the highest percentage of Aboriginal people is the North Slave, the region with the largest Aboriginal population is Inuvik.

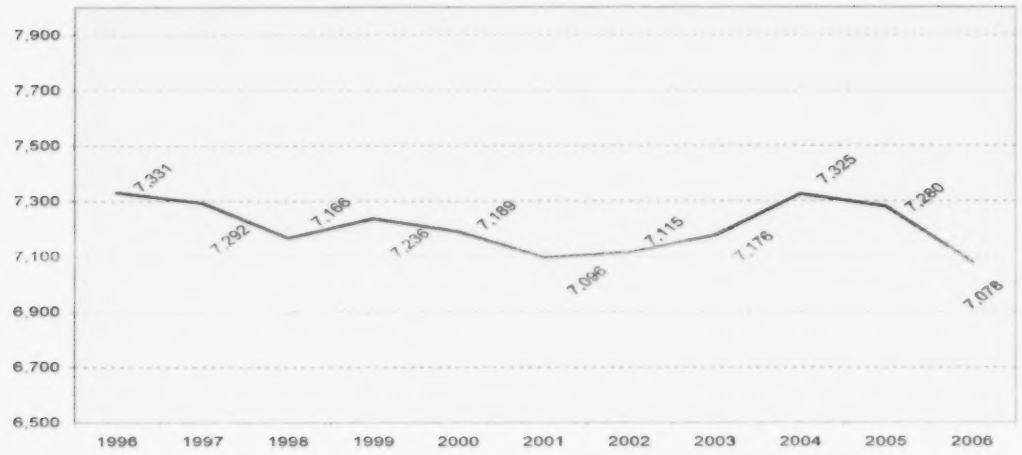
However, when looking at these indicators, it is important to consider other factors. For example, income statistics measure cash income. Yet, in some regions, non-cash income can be a significant factor. Residents are able to harvest renewable resources, including wood for heating, fish and game for food, timber for construction and hides for clothing.

The table highlights the statistical differences between regions. However, each region has its unique opportunities and challenges, and these are as diverse as the NWT itself. The following section outlines regional trends in greater detail.

Table One: Regional Economic Summary

	Canada	NWT	Inuvik Region	Sahtu	Dehcho	South Slave	North Slave	Yellow-knife
1996 Population	29,610,757	41,748	7,151	2,745	3,264	7,331	2,605	18,258
1999 Population	30,403,878	40,654	6,929	2,568	3,358	7,236	2,650	17,483
2001 Population	31,021,251	40,822	6,967	2,526	3,389	7,096	2,710	17,758
2006 Population	32,623,490	41,861	6,750	2,629	3,368	7,078	2,927	18,695
Change over 10 Years	**3,012,733**	**113**	**(401)**	**(116)**	**104**	**(253)**	**322**	**437**
Population Growth Rate 1996-2006	10.2%	0.3%	-5.6%	-4.2%	3.2%	-3.5%	12.4%	2.4%
Ave. Annual Growth for Pop. Under 15 Years 1996-2006	-0.6%	-1.5%	-2.9%	-2.5%	-1.8%	-2.5%	-0.5%	-0.7%
Ave. Annual Growth for Pop. Over 60 Years 1996 - 2006	2.1%	3.9%	3.3%	3.9%	1.4%	2.3%	2.0%	6.7%
Number of Males 2006	16,155,454	21,630	3,460	1,393	1,671	3,655	1,565	9,535
% of the Population Male 2006	49.5%	51.7%	51.3%	53.0%	49.6%	51.6%	53.5%	51.0%
Aboriginal Population 2006	976,305	21,408	5,197	1,975	2,735	4,007	2,735	4,345
% of the Population Aboriginal 2006	3.0%	51.1%	77.0%	75.1%	81.2%	56.6%	93.4%	23.2%
Total Income 2005 ($'000)	$851,595,902	$1,297,842	$160,761	$62,106	$62,992	$215,684	$50,482	$731,605
Per Capita Income 2005	$26,389	$30,195	$22,949	$24,063	$18,462	$29,627	$17,450	$37,655
Above or Below Canada Income	**$0**	**$3,806**	**($3,440)**	**($2,327)**	**($7,927)**	**$3,238**	**($8,940)**	**$11,266**
% Consuming Country Food (2002)		18	33	32	33	16	42	5
Number Using Country Food (2006 est.)		7,332	2,205	842	1,110	1,112	1,230	949
% Less than Grade 12 (2004)		32	44	48	53	32	65	18
Suicides Over 5 Years (2000-05)	18,324	44	16	2	2	8	2	14
Rate Suicide for 1000 Residents	0.57	1.02	2.28	0.77	0.59	1.10	0.69	0.72

Chart One: Population of the South Slave Region Between 1996 and 2006



Hay River, Fort Smith and the South Slave:

The South Slave region is located south of Great Slave Lake, and borders the Provinces of Alberta and Saskatchewan to the south and Nunavut to the east. The region possesses 17% of the NWT's population and 17% of its income.

Hay River and Fort Smith are the second and fourth largest communities in the NWT. Hay River is a major transportation hub for the Territory and is one of Canada's largest inland ports. Hay River also has the only rail connection in the NWT.

The region's second largest community is Fort Smith. Once capital of the NWT, the community now provides public services to the South Slave region. It is the major educational centre of the NWT. Wood Buffalo National Park, one of the largest National Parks in Canada, has its headquarters in Fort Smith.

Most communities have well developed air and road connections, with Hay River and Fort Smith having direct air connections to Edmonton. Only the community of Lutselk'e has no road access.

Parts of the South Slave region are within the Western Canada Sedimentary Basin. Oil and gas development potential is significant, although current exploration activity is limited. The region was also home to one of Canada's largest lead-zinc mines at Pine Point, which is currently being evaluated for re-development could generate increased economic benefits to the region. A number of residents also work at the diamond mines on a rotational basis. The Deh Cho Bridge is also slated to commence production in 2008 which will also have significant economic impact during and post construction.

Development plans are also being considered to expand the region's hydro capacity to supply the diamond mines. Other industries include tourism, transportation, manufacturing, commercial fishing, forestry, trapping and arts and crafts.

In recent years, the region's population has been in decline. Residents are likely attracted to high paying opportunities in Southern Canada, especially in neighbouring Alberta.

Inuvik Region:

The Inuvik region borders the Yukon Territory to the west, Nunavut to the east and the Arctic Ocean to the north.

The town of Inuvik is the third largest community in the NWT and the region's major commercial and administrative centre. The region accounts for about 16% of the NWT's population and about 12% of personal income. Over the past decade, the region's population has declined by about 400 residents or around 6%; see Chart Two.

The Dempster Highway provides an all weather road link with the Yukon. The Highway also provides an opportunity to attract tourists off the Alaska Highway. The region also benefits from Whitehorse's direct summer connections to Europe, and has the NWT's major portion of European tourism.

The Dempster Highway connection is limited to communities south of Inuvik. A network of winter roads connect Aklavik and Tuktoyaktuk to Inuvik. The most northern communities, Ulukhaktok, Paulatuk and Sachs Harbour, only have air and marine linkages.

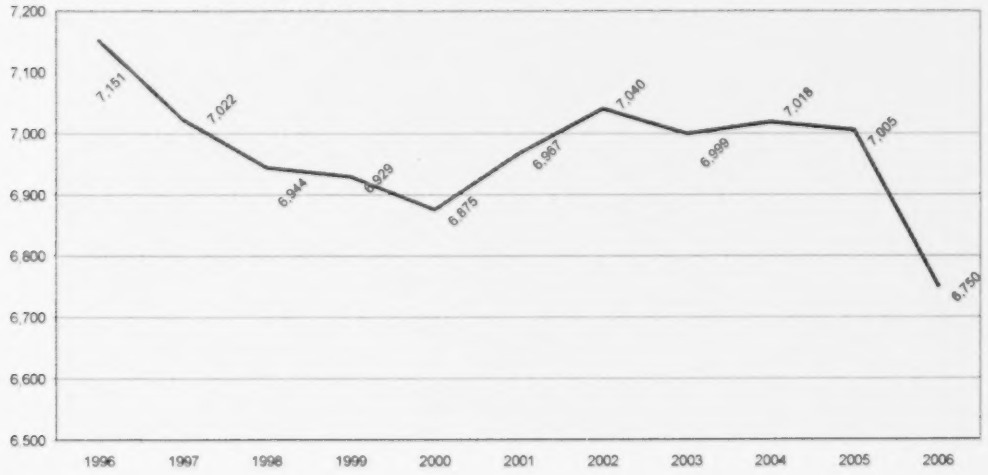
The development of the Ikhil gas project has provided the community of Inuvik with access to gas for electrical generation and heating.

The region has significant gas resources. However, significant development is dependent upon access to markets. An application to develop the Mackenzie Gas Pipeline is currently under environmental review.

Tourism has significant potential and there have been large investments made in accommodation facilities and attraction development. Physical attractions include the Mackenzie Mountains, the Arctic Ocean, the Delta and the midnight sun.

The region's base industries include public administration, natural gas, transportation, tourism and furs.

Chart Two: Population of Inuvik Region Between 1996 and 2006



North Slave and Behchokò

To capture an accurate regional summary, Yellowknife was assigned a separate "headquarters" region. However, Yellowknife remains the primary administration, supply and transportation center for the region.

Excluding Yellowknife, the region has 7% of the NWT's population and 4% of the NWT's income.

Unlike most other regions of the NWT, the North Slave has shown significant growth over the past decade, and it is the only region to surpass national population growth rates. Excluding Wekweètì, there was significant population growth in every North Slave community. The region's largest community, Behchokò, is approaching 2,000 residents, making it the NWT's fifth largest community.

The traditional economy remains strong in the North Slave region with the NWT's highest participation rates in hunting and harvesting. The region also has the highest use of an Aboriginal language.

As shown in the chart below, the region has shown strong population growth. Tlicho communities have successfully implemented self-government, while the Akaitcho communities are currently negotiating their own agreement.

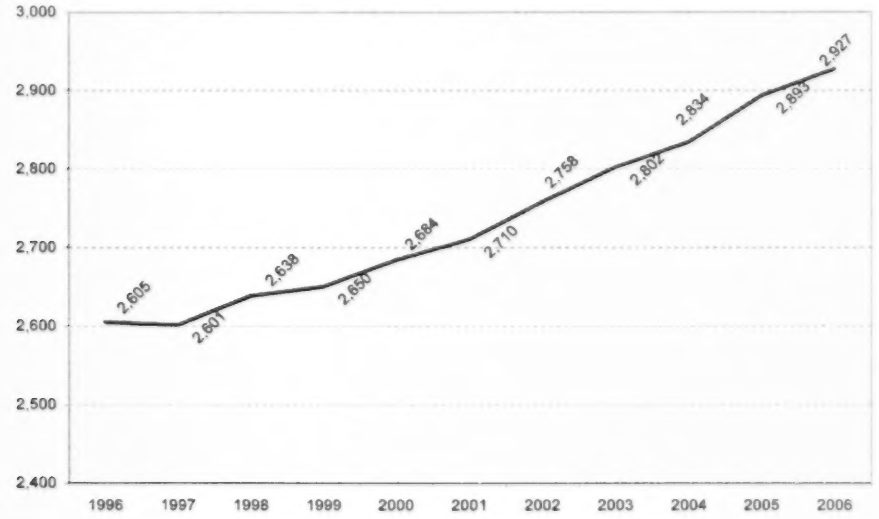
Road connections are limited north of Behchokò. There is an extensive ice road system supplying communities and mines in the region. The highway is paved to Behchokò and Yellowknife.

A number of residents work directly for the diamond mines, or with Aboriginal owned companies supplying mining goods and services. A large number of contracting companies working on mine development are also Aboriginal owned.

Development of new diamond mines and possible gold properties will expand employment and business opportunities. Opportunities also exist to expand services, retail trade and tourism. The region is also a major harvester of Canadian "sable" or martin.

The region has a general lack of business services, and there are only limited banking services outside Yellowknife.

Chart Three: Population of the North Slave Region Between 1996 and 2006



Dehcho and Fort Simpson:

The Dehcho Administrative region is located in the southwestern part of the NWT, bordering British Columbia and the Yukon. The region has a diverse geography, and includes some of the NWT's most spectacular tourism attractions - the Nahanni River, the Virginia Falls, the Trout River, and the Mackenzie Mountains. There are six communities in the region, with Fort Simpson being the largest.

The region has road connections to British Columbia and Alberta, as well as other regions in the southern NWT.

Fort Simpson is located on an island at the confluence of the Mackenzie and Liard Rivers. It is the commercial and administrative centre for the Dehcho.

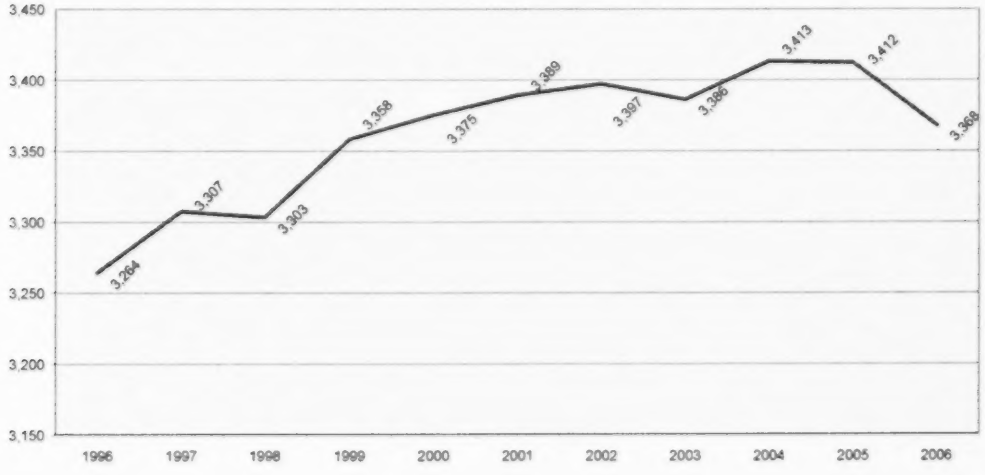
The region will benefit significantly from expanded oil and gas development and exploration. The region currently has a number of producing gas properties, and accounts for most NWT gas production. However, due to relatively low natural gas prices, and regulatory issues, gas exploration and development has slowed. Should the Mackenzie Gas Project proceed, the region would become a major staging area.

The region has one operating mine, the Cantung mine, and a potential new development, the Prairie Creek Mine. However, most employment and business opportunities from the Cantung mine accrue to the Yukon.

The proposed Prairie Creek Mine will offer significant regional benefit. Mine reserves are estimated at 3 billion pounds of zinc, 2.2 billion pounds of lead and approximately 70 million ounces of silver, with significant exploration potential.

Other major industries include tourism, forestry, trapping and handicrafts.

Chart Four: Population of the Dehcho Between 1996 and 2006



Sahtu and Norman Wells:

The Sahtu region encompasses six communities in the Great Bear region of the NWT. The region borders the Yukon Territory on its western side, Inuvik to the north, Nunavut on the east and the Dehcho and Tlicho area to the south.

The region lacks all weather road access, but communities are connected by ice roads in the winter. Norman Wells is the commercial and administrative centre, and serves as a regional air hub. Most communities are also supplied during the summer by barge from the Mackenzie River.

The region accounts for 6% of the NWT's population and 5% of income.

The Sahtu has the NWT's only producing oil field, and ships over $500 million in oil annually via the Norman Wells - Zama Lake pipeline.

Norman Wells is the main service and supply centre, not only for the oil and gas industry, but for surrounding communities. It also has the highest average level of income in the NWT.

Norman Wells and other Sahtu communities are well situated to benefit from oil and gas development. Other regional industries include tourism, transportation, trapping and arts and crafts.

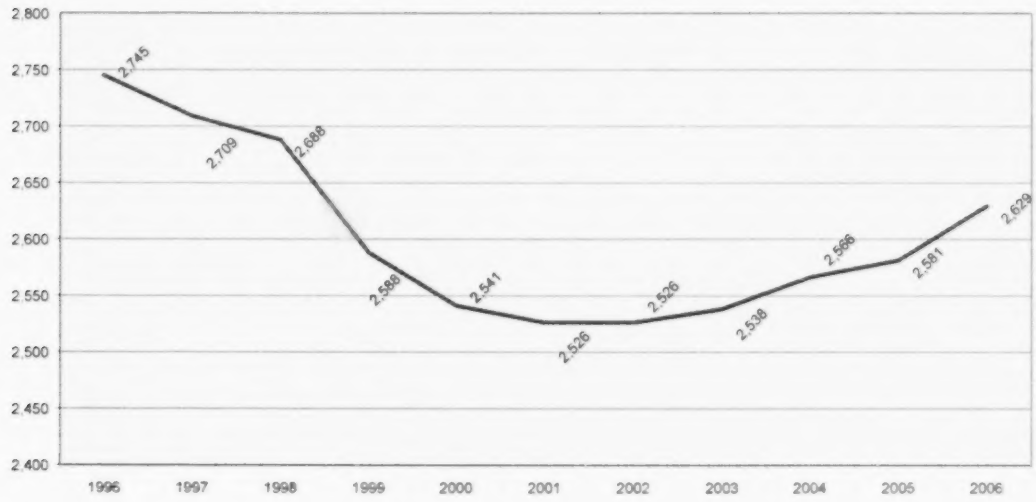
The region has some major tourism assets including the Canol Heritage Trail, Great Bear Lake, fossil beds and the Mackenzie River and Mackenzie Mountains.

One challenge facing the region is the depletion of the Norman Wells oil field. The community of Norman Wells may also lose access to cheap natural gas for community heating and electrical generation.

Aside from oil and gas, tungsten, emeralds and other minerals have been discovered in the region and significant potential exists for hydro development.

Regional population has declined over the past decade, although growth rates have been positive since 2001.

Chart Five: Population of the Sahtu Region Between 1996 and 2006



Yellowknife

Yellowknife is the capital and the only city in the Northwest Territories. In 2006 the city had a population of 18,700, 45% of the Territories' total population. While Yellowknife's share of the Territory's population has been increasing, this has more to do with declining regional populations than rapid city growth as average population growth rates are below national averages.

Yellowknife accounts for about 55% of Territorial income, and has the same percentage of Territorial businesses. The city has a large and diverse business community, its financial institutions, along with the health and education system, provides services to a significant area of the NWT, and parts of Nunavut.

While Yellowknife's two gold mines have closed, the city is headquarters for the NWT's three diamond mines, as well as a possible new gold mine in the North Slave region.

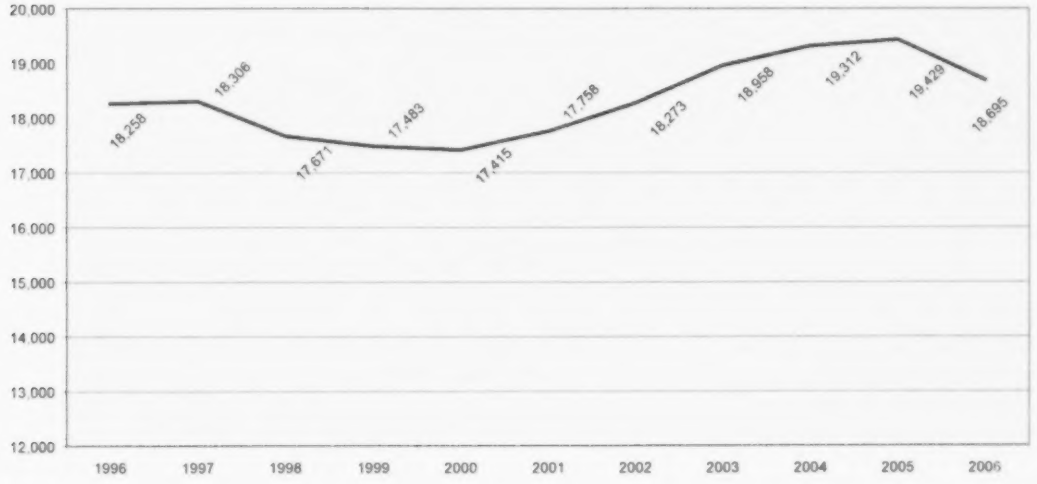
The city has the NWT's largest airport, and is well situated to take advantage of polar routes. The city is also a prime location for aurora viewing.

With the development of new mines, Yellowknife may be able to exploit or develop new value added industries. Yellowknife currently has three diamond polishing plants. Efforts are now being made to link these to diamond tourism.

Yellowknife has a well developed tourism industry, including a successful aurora tourism industry. However, the city lacks international air connections and which may be limiting future options.

The population of Yellowknife has been marginally increasing since the division of the Territory in 1999. Development of the diamond mines attracted new residents until 2006, when the population actually declined.

Chart Six: Population of Yellowknife Between 1996 and 2006



2 Regional Population Shifts

The NWT is a huge land mass, and Territorial averages can be misleading. While the NWT population has remained relatively static over the past decade (Chart Eight), there has been significant growth in the North Slave region (excluding Yellowknife). This has been partly offset by a decline in Inuvik's regional population.

Currently, most mineral investment is in the North Slave and Yellowknife regions. This in turn impacts economic performance and population.

While the rate of population growth in Yellowknife was less than the Canadian average, the city accounted for the largest number of new residents (437) between 1996 and 2006. In comparison, the Inuvik region lost 401 residents.

As in other regions of Canada, people in the NWT tend to move to areas of greater economic activity. Regions with employment opportunities also tend to retain their labour force, as demonstrated in the North Slave. Proximity, like that between the South Slave and Alberta, can also increase mobility.

Chart Seven: Rate of Regional Population Change Between 1996 and 2006

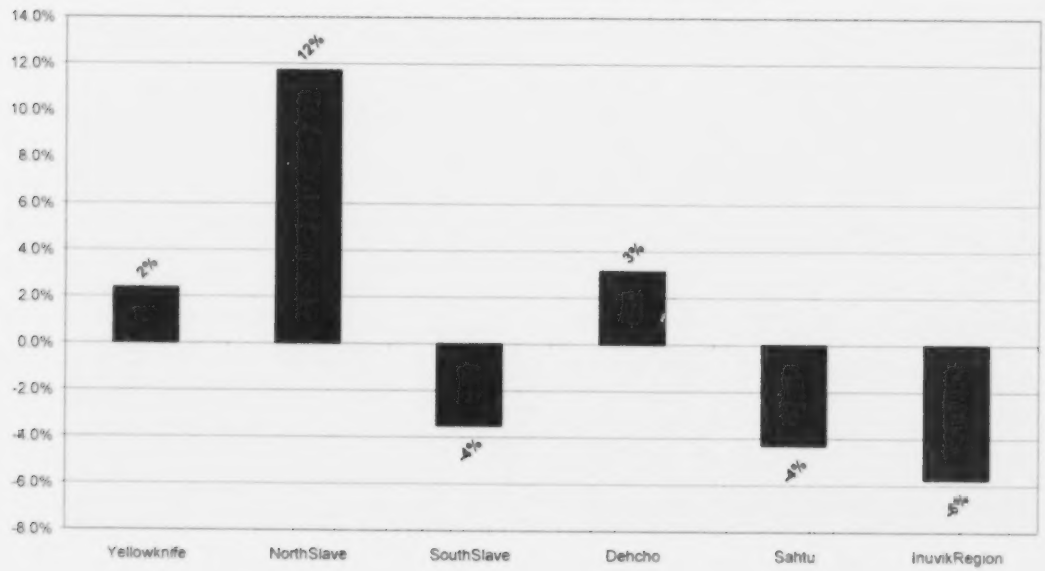


Chart Eight: NT and Yukon Populations Between 1996 and 2006

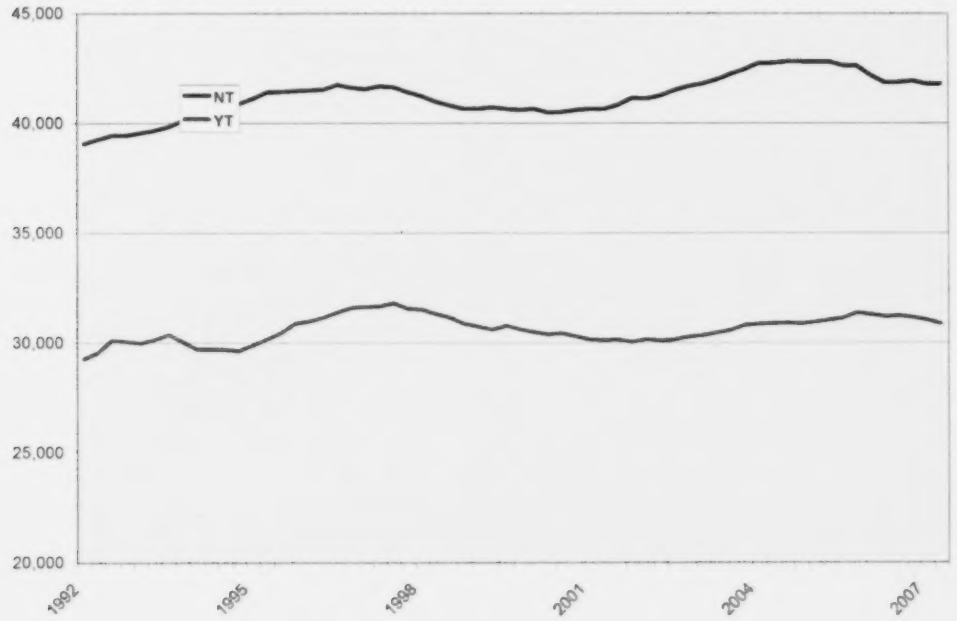
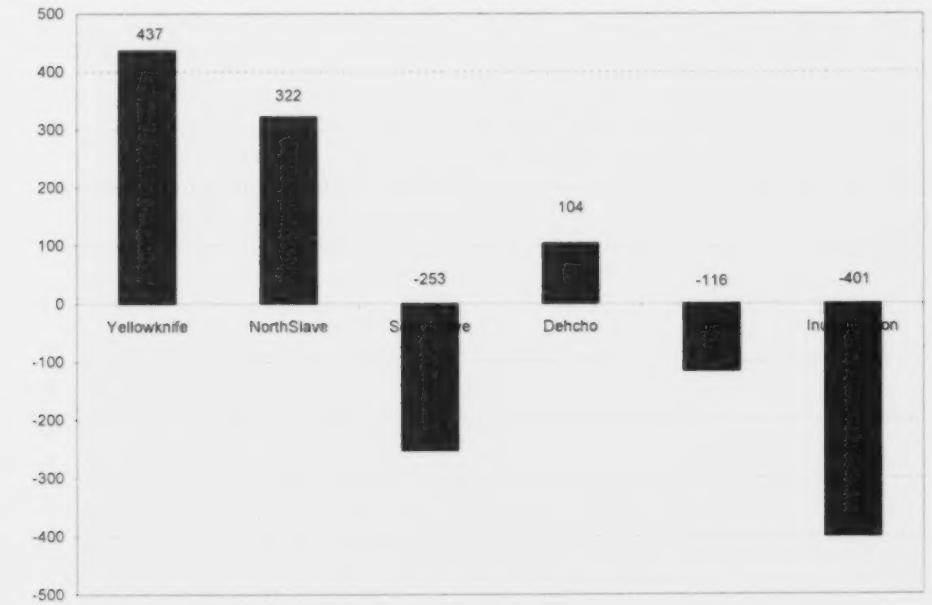


Chart Nine: Regional Population Change Between 1996 and 2006



Population Declines Impact Age Distributions

Mobility changes the age distribution of a population. The most mobile age group tends to be young, working people, between 20 and 40 years of age. This age group also has the largest portion of young children.

As shown in Chart Ten, the growth rate for "Under 15" population is substantially negative in all regions except the North Slave and Yellowknife regions. In the Inuvik region, the "Under 15" age group is declining by almost 3% annually.

This decline in the "Under 15" age group is also highlighted in school enrollment. Chart Eleven plots school enrollment between 1998 and 2007. Enrollment has declined by over 1,000 students or 13% since 1998.

As would be expected, the declining youth population will impact future labour force availability.

This is a new development for the Territory. In previous decades, the challenge was to find jobs for new labour force entrants. The new challenge will be finding people to fill vacant jobs.

Chart Ten: Percent Change in the "Under 15" Age Group Between 1996 and 2006

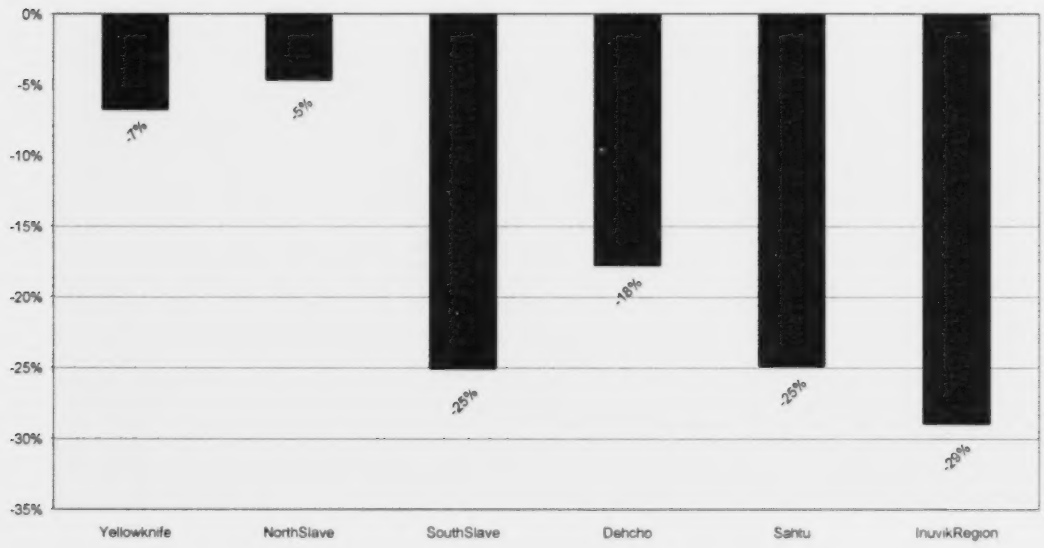
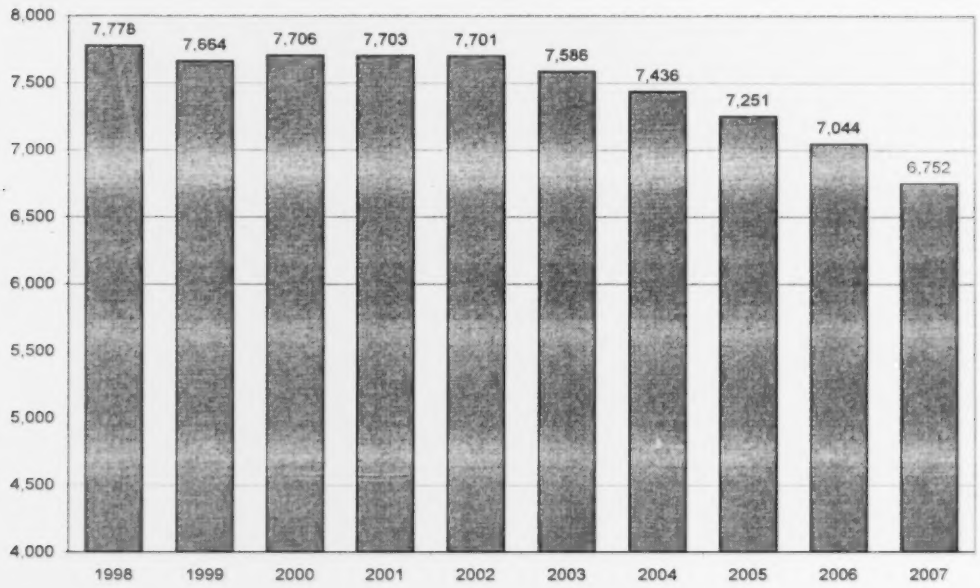


Chart Eleven: Number of Students Enrolled in Kindergarten through Grade 9 from 1996 and



Regional Incomes

Regional income statistics, derived from income tax records, are available from the Canada Revenue Agency. Incomes are an important indicator of welfare. Generally, regions with a higher level of personal income have a higher standard of living.

Personal incomes are also important to business development. Most retail and service business sales are linked directly with personal income.

Chart Twelve plots the distribution of personal income across NWT regions. Yellowknife accounts for the largest portion of total income in the Territory at 56% of all income. This is not surprising as 55% of all businesses and 55% of the total population are situated in Yellowknife. The next largest income portions are in the South Slave and Inuvik regions, with 17% and 13% respectively.

Regional incomes are influenced by employment options and lifestyles. For example, in the North Slave region (excluding Yellowknife), there are relatively few businesses, and as such there are few secondary or service jobs. This works to reduce employment options and participation rates.

Chart Twelve: Regional Distribution of Personal Income 2005

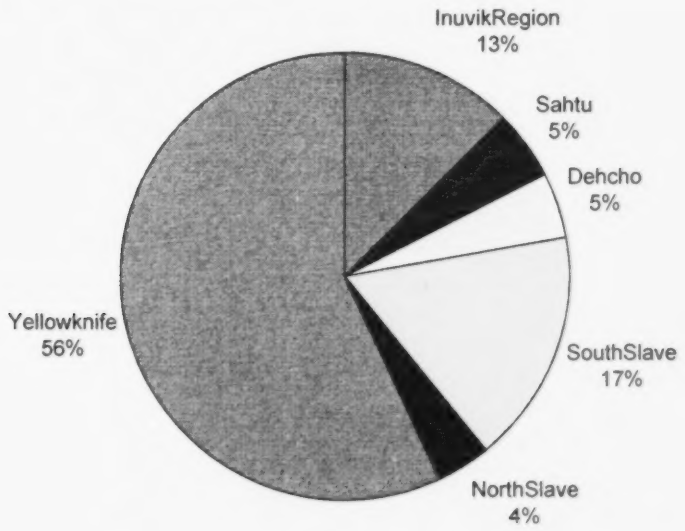


Chart Thirteen: Average Family Incomes 2005

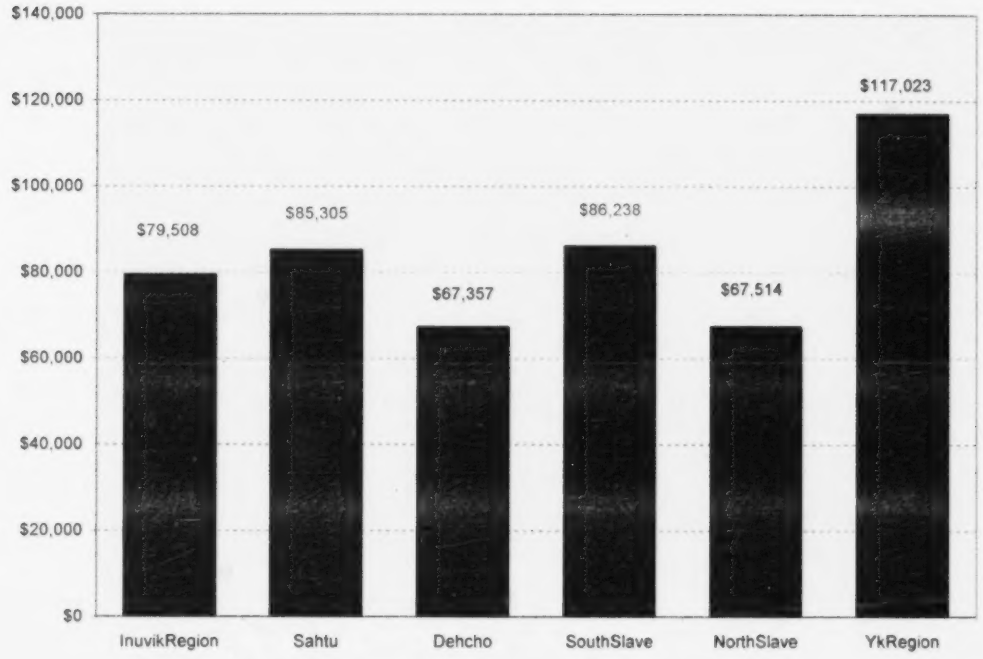


Chart Thirteen shows average family incomes for each of the regions and Yellowknife. Yellowknife has the highest level of average family income at more than $117 thousand. The South Slave region was second with an average family income of more than $86 thousand, followed closely by the Sahtu with more than $85 thousand and the Inuvik region with an average income approaching $80 thousand.

Although having the lowest average family income, the North Slave region experienced the largest percentage gain over the last decade.

Mining employment is on a two week rotational basis. Family life is more difficult to maintain when both spouses are working rotations. As there are relatively few secondary jobs in the North Slave communities outside of Yellowknife, income opportunities are reduced.

Regional Distribution of Businesses

The Department of Industry, Tourism and Investment has been using telephone listings to monitor business trends within the NWT. The regional distribution of businesses over 2005 is shown in Chart 14.

The distribution of businesses follows the distribution of population and incomes.

The one exception is the North Slave, which has 4% of income but only 2% of businesses. The region's major community, Behchokò, is close to Yellowknife, and many community residents shop there for groceries, other retail products and services.

The database is updated every two years, and is available in Access, Excel or Acrobat (pdf) format. Contact your local office of Industry, Tourism and Investment for additional information.

Chart Fourteen: Regional Distribution of Businesses 2005